scheme for clearing and planting large areas of forest at a cost, during the year, of Rs. 7·20 lakhs, and increasing the Supply Department staff. The rise in the cost of living necessifated an increase in dearness allowance, the total expenditure amounting to Rs. 4·7 lakhs.

PORT AND RAILWAY

For security reasons it is not possible to give the usual account of the working of the Port. It may, however, be said that present conditions and future prospects are alike generally satisfactory.

The net earnings to the Cochin Government from the State Railway were estimated on the advice of the Railway Company at Rs. 7 lakhs in the Budget Estimate of 1118, but due to increase in traffic, the earnings for 1118 are now estimated at Rs. 14,74,000, representing interest of above 12 per cent on the capital cost. The Budget Estimate for 1119 provides for net earnings of Rs. 13,40,000.

REVENUE RESERVE FUND

The Revenue Reserve Fund continues to grow. A sum of Rs. 15 lakhs from the actual surplus of Rs. 18·75 lakhs for the year 1117 has been credited to the fund, and Rs. 2 lakhs will, as in this year, be allocated from the fund for Rural Development, once again mainly for minor irrigation schemes designed to increase food production. The balance in the fund will then be Rs. 33·75 lakhs, available either to meet unforeseen developments during these unsettled times, or to be available for beneficial schemes to be undertaken after the war is over.

STATE'S ASSETS

The general financial position of the State continues to be eminently sound. The figures of assets and liabilities, swollen due to Government taking over the purchase and sale of foodgrains and of standard cloth, show that the total liabilities of the State at the end of 1119, including the various deposit funds will be Rs. 3,15,91,916 and the assets Rs. 4,62,67,881, showing an excess of assets over liabilities of Rs. 1,46,75,965, compared with Rs. 1,16,81,265 at the end of 1117 and Rs. 1,30,47,065 at the end of this year.

STATE LOAN

The State's 5 per cent debenture loan of Rs. 75 lakhs raised in 1933 matures on the 1st October 1943, and it has been decided to redeem it and to raise a conversion loan of Rs. 70 lakhs at 3 per cent, repaying Rs. 5 lakhs from the general balances. The Government decided not to repay more than Rs. 5 lakhs, despite large revenue surpluses, mainly because it is necessary at this time to have large liquid resources available for emergency purposes such as grain and cloth purchase and for other expenditure which may be necessary during and shortly after the present emergency. Considering our general resources the debt burden has to be considered small and it may be noted that provision has been made for a Sinking Fund at 3 per cent on our total public debts.

BUDGETARY POSITION

For the coming year we have budgetted for a record revenue of Rs. 1,83·17 lakhs, and for a record expenditure of Rs. 166·88 lakhs, leaving a surplus of Rs. 16·29 lakhs. The increase in revenue is mainly due to—

(1) increase in Customs due to more extensive use of the Port;
(2) increase in Abkari revenue due to the greater spending power of the people;
(3) increase in forest revenue due to larger extraction of timber for war purposes; and
(4) receipts from the sale of crops grown in the Hill Paddy Scheme area.

The most notable increases in expenditure are under Agriculture, in the new department of Village Courts, under Excise where special provision is made for the manufacture of salt, under Forests and Tramway due to increased extraction, under Ayurveda, under Police and Military and under Supply Department staff and Hill Paddy operations and under Sinking Fund. It will be noticed that the increase in revenue is mainly due to causes which are temporary and are the outcome of the present emergency, and while much of the increase in expenditure is also due to temporary causes, it is obvious that caution has to be exercised in undertaking schemes involving recurring expenditure of a permanent nature, as a steep drop in revenue may have to be faced after peace is restored. Hence our policy has been both to scrutinise each item of new expenditure to see whether it is essential in the present unusual circumstances, and also to continue to build up substantial reserves to meet future contingencies.

In his budget speech for the year 1114 my predecessor made an interesting comparison between the budget of 1115 and that of 1105. A similar comparison between that of 1119 and of 1109 is equally instructive. The total expenditure of the State in the year 1109 was Rs. 90·43 lakhs and the budgetted expenditure for 1119 is Rs. 166·88 lakhs. The increase in total expenditure is Rs. 76·45 lakhs, and it will be found that there has during the same period been an increase in expenditure on what are known as the nation-building departments of Rs. 18·3 lakhs from

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Rs. 22·7 lakhs to Rs. 41·0 lakhs. During this period the only increase in taxation has been the raising of Income-tax rates, and the lightness of our taxation burden is shown by the fact that of the total income of Rs. 183. 17 lakhs estimated for 1119, only Rs. 75·12 lakhs is raised by direct or indirect taxation, the balance of Rs. 108·05 lakhs is obtained from sources other than taxation. The State is fortunately placed both in respect of the burden of taxation and its ability to increase expenditure on nation-building activities, during a difficult period.

A more detailed examination of the expenditure including capital expenditure and provision under Advances Recoverable will show that, as last year, this is a "nation-saving" budget in the wider sense including "nation-building" activities which are "nation-saving" also. Dealing first with defence measures under Civil Defence there is a provision of Rs. 377,596 under A. R. P. for 1119 against a Revised Estimate of Rs. 4,35,044 for 1118. A. R. P. has been developed during this year and the efficiency of the organisation increased. In view of the improved situation, however, retrenchment proposals are now under examination, and the actul expenditure in 1119 may be considerably below the budgetted figure.

The Special Guards, including the Special Coast Guards, performed valuable services during the year. In order to increase the efficiency of the force the number has been reduced and the allowance increased from Rs. 5 to Rs. 10. The provision under this head is Rs. 72,000 against Rs. 62,000 last year.

In response to popular demand a Cosmopolitan Company has been formed and attached to the Nayar Brigade as a preliminary to the formation of the regular State Forces, which is expected soon.

The reorganisation of the Police was continued during the year, and special steps were taken to improve conditions and prospects among the lower ranks by reallocating and revising grades, granting a war allowance to constables and a uniform allowance to constables in the third grade.

FOOD PROBLEM

Provision is made in the budget for Rs. 3·28 lakhs to meet the cost of the Supply Department, for Rs. 8·91 lakhs for the Hill Paddy Scheme, and under Advances Recoverable for Rs. 4,33,70,000 for the purchase of grains, and for Rs. 1·35 lakhs for the purchase of manure. This huge expenditure is proposed to be incurred on account of the grave food crisis through which the State has been passing. In my last budget speech, I described the difficulties with which Government had had to contend and the measures which they had taken to deal with the situation in the year 1117. In view of the vital importance of the problem to every one in the State I propose to give a brief account of how the food problem has been tackled during the very difficult year through which we have just passed.

At the beginning of the year we were depending on Madras for our rice quota, that Province having generously arranged to send us 3,600 tons a month, which, though insufficient for our needs, sufficed alone with some reserve stocks and the August September harvests, to avert starvation. Later on, however, Madras found itself unable to maintain the quota, no rice being sent in September and fluctuating amounts in succeeding months. Strenuous endeavours to obtain rice from other Provinces through the Government of India met with little success, and the State was faced with a grave food crisis. Every effort had been made to control prices and to ensure the equitable distribution of the food grains available through the ordinary trade channels, controlled by rules and orders under the Defence of India Rules, but with the increasing scarcity and fear of scarcity, profiteering increased, the black market grew, and it proved impossible to control prices effectively or to ensure equitable distribution throughout the State. Accordingly in December Government decided to eliminate the wholesale merchant, to purchase themselves all the paddy grown in the State not required by the cultivators for their consumption or for seeds and the grains imported from outside, and to distribute it through Government Fair Price Shops and licensed retailers to the public, who excepting paddy cultivators, would all be rationed on a card basis. Serious doubts were expressed in certain quarters whether such comprehensive control would work in the conditions obtaining in India. The schemes have not only worked well, but have, I make bold to say, saved many people in the State from starvation. I base this assertion on the unsatisfactory conditions which were obtaining just before grain purchase and rationing started, when the stock position was not nearly so serious as it became later, and also on actual statistics. Based on careful inquiries and on statistics it is estimated that the State's minimum actual import requirements of rice during this year were 71,345 tons. Our receipts from July 1942 to end of June 1943 were only 25,380 tons of rice and 4,094 tons of millets and wheat, together with 1,837 tons of gram and gram products, only part of which can be used in the ration, or only about 3/7ths of our minimum requirements. Our position was made worse on account of the heavy and untimely

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